

LIAISON MEMORANDUM NUMBER 12-17

To: Agency Liaison and Payroll Officers

From: Cindy Rougeou
Executive Director

Re: Selecting a Retirement Date

Date: August 31, 2012

Selecting a retirement date is a very important decision for members of LASERS. The effective date of retirement is the day the application for retirement is received by LASERS, or the day after termination of employment, whichever is later.

When members select a retirement date, please help them to ensure that they have sufficient service credit to meet retirement eligibility. The calculation of service credit is determined by dividing actual earnings by base salary. No service credit can be received if no earnings have been reported and no contributions paid.

If there is a break in service between the date of termination and the effective date of retirement, the member will be considered out of state service. Retiring while out of state service can result in a significant decrease in monthly benefits, particularly for members less than 60 years of age, as demonstrated by the example below.

Example: Mark is 45 years old, with 22 years of service, and a final average compensation of \$60,000.00.

Provided he has no breaks in service, Mark will first be eligible for an unreduced retirement benefit when he earns 30 years of service. At this time, he will be 53 years old.

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Cindy Rougeou, Executive Director

If Mark takes a reduced retirement at this time, and he retires while in state service, his maximum benefit will be \$1,241.71, because the calculation is based on 30 years at any age eligibility when he would be 53 years old. He is 107 months away from this eligibility.

In contrast, if Mark retires while out of state service, his maximum benefit will be \$697.26. In this instance the calculation does not assume continued employment because he is out of service. The reduction to his benefit is therefore based on retirement at age 60. He is 179 months away from this eligibility.